

# KENTUCKY ECONOMIC INDICATORS

January Indicators as of March 22, 2004

## **KY Composite Index of Leading Indicators increased 2.2 percent for January.**

- The Leading Index has increased in eight of the last nine months.
- The Leading Index rose by 1.6 percent over the same month last year.
- Component indicators were mostly positive with gainers over losers 4:1.
  - + KY Labor Intensity Index increased 5.6 percent.
  - + The Conference Board's US Leading Index increased 5.4 percent.
  - + The Index of KY Initial Claims increased 6.0 percent.
  - + US Retail Sales increased 2.5 percent.
  - Louisville Help Wanted Index (HWI) decreased by 7 points to 50.

## **KY Composite Index of Coincident Indicators increased 4.0 percent for January.**

- The Coincident Index increased for seven consecutive months.
- Year over year change was positive for the sixth consecutive month by 1.4 percent.
- Component indicators were mixed gainers over losers 2:1.
  - + KY Total Nonagricultural Employment increased 5.2 percent.
  - US Personal Income Less Transfers decreased 1.1 percent.
  - + US Industrial Production Index increased 9.4 percent.

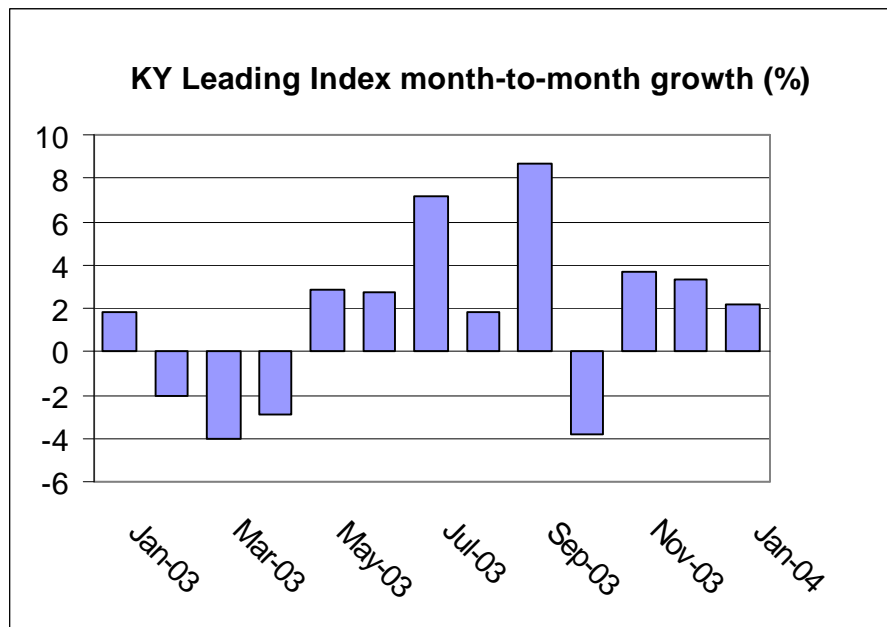
The Kentucky Leading Index is positive for the third consecutive month. This extends the positive trend to eight of the last nine months. The Index has now made up 61.5 percent of its previous peak-to-trough loss. The average growth rate for the period May 2003 to January 2004 is 3.2 percent. The outlook for Kentucky for the next six-to-nine months is favorable.

Kentucky Nonagricultural Employment appears to have finally bottomed out in July 2003 at 1,775,300 workers. In the period between October 2000 and July 2003, Kentucky Nonagricultural Employment decreased by a net 56,800 workers. Between July 2003 and January 2004, 18,000 jobs have been recovered. That is, we have now regained almost one-third of the employment losses from the 2001 recession. The Kentucky Unemployment Rate dropped substantially for January to 5.2 percent, a rate consistent with employment levels, although the single-month decline is extraordinarily large in historical terms. Kentucky Nonagricultural Employment experienced no growth throughout 2002, while Kentucky Manufacturing Employment saw fairly consistent monthly declines until July 2003. In the following seven months, Kentucky Manufacturing Employment picked up 1,500 jobs. This is the first sustained increase in three years.

The Kentucky Labor Intensity Index has experienced considerable volatility in the last seven months, reflecting many changes in both employment and average weekly hours. Transportation Equipment employment has increased by approximately 3,000 net jobs over the seven-month period from July 2003 to January 2004. Employment in the other four industries in the KY Labor Intensity Index has remained relatively flat over the same period. Average weekly hours for the Fabricated Metals, Chemical Products and Transportation Equipment industries have made modest gains during this period, while Rubber and Plastic Products and Wood Products have remained constant or declined slightly. Average weekly hours for Wood Products are still well below their four year average. The Kentucky Labor Intensity Index has averaged 1.7 percent growth over the last seven-month period, while the average growth throughout the 1990s was 0.80 percent.

The Conference Board's US Consumer Sentiment Index, which measures consumers' feelings about the economy, shot up by over 10 points for January. This is one of the largest single-month increases the history of the series.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the *University of Kentucky Center for Business and Economic Research Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

#### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2003												2004	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	
KY Leading Index (1992=100)	110.6	110.4	110.1	109.8	110.0	110.3	110.9	111.1	111.9	111.5	111.8	112.1	112.4	
% Chg Previous Month SAAR	1.8	-2.1	-4.0	-2.9	2.8	2.7	7.2	1.8	8.7	-3.8	3.6	3.3	2.2	
% Chg Same Month Last Year	0.2	-0.2	-0.6	-0.6	-0.6	-0.7	-0.1	0.3	1.4	1.0	1.1	1.5	1.6	
KY Coincident Index (1992=100)	127.9	127.9	127.7	127.6	127.7	127.7	127.9	128.1	128.4	128.7	129.3	129.3	129.7	
% Chg Previous Month SAAR	1.6	0.1	-1.7	-1.5	1.3	-0.2	2.5	1.2	3.0	2.8	6.0	0.0	4.0	
% Chg Same Month Last Year	0.3	0.3	0.0	-0.2	-0.2	-0.5	-0.3	0.0	0.3	0.5	1.0	1.2	1.4	
KY Nonag Employment (000s)	1,786.5	1,780.6	1,782.4	1,780.8	1,780.7	1,780.2	1,775.3	1,779.6	1,782.7	1,785.2	1,786.4	1,785.7	1,793.3	
% Chg Previous Month SAAR	-1.3	-3.9	1.2	-1.1	-0.1	-0.3	-3.3	2.9	2.1	1.7	0.8	-0.5	5.2	
% Chg Same Month Last Year	-0.3	-0.5	-0.4	-0.3	-0.3	-0.4	-0.9	-0.4	-0.2	-0.2	-0.2	-0.2	0.4	
KY Mfg Employment (000s)	269.6	269.0	267.4	265.9	265.6	265.2	264.9	265.2	265.1	266.2	265.8	266.1	266.4	
% Chg Previous Month SAAR	-2.6	-2.6	-6.9	-6.5	-1.3	-1.8	-1.3	1.4	-0.5	5.1	-1.8	1.4	1.4	
% Chg Same Month Last Year	-3.7	-3.5	-4.0	-4.3	-4.0	-3.9	-3.5	-3.0	-2.3	-2.3	-2.0	-1.5	-1.2	
KY Unemployment Rate (%)	5.9	6.1	6.2	6.3	6.2	6.3	6.6	6.2	6.2	6.0	6.0	6.0	5.2	
KY Index of Initial UI Claims	100.3	99.7	98.8	98.4	99.0	99.1	99.8	100.2	100.0	101.2	101.4	101.6	102.1	
% Chg Previous Month SAAR	16.6	-5.9	-10.7	-4.9	7.9	1.1	9.3	4.1	-2.3	15.4	3.0	2.1	6.0	
% Chg Same Month Last Year	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-0.2	0.6	1.6	0.9	2.7	1.8	
KY Labor Intensity Index (1992=100)	104.7	104.6	103.9	104.0	104.0	103.9	104.2	104.3	104.4	104.4	104.7	104.4	104.9	
% Chg Previous Month SAAR	-3.3	-1.6	-7.9	1.5	-0.6	-0.7	3.9	0.6	1.1	-0.2	3.6	-2.9	5.6	
% Chg Same Month Last Year	-0.5	-0.6	-1.4	-1.1	-1.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.1	-0.6	0.1	
Louisville HWI (1992=100)	55.0	60.0	58.0	50.0	47.0	49.0	50.0	47.0	73.0	50.0	49.0	57.0	50.0	
% Chg Previous Month SAAR	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	-52.4	19,610.6	-98.9	-21.5	514.0	-79.2	
% Chg Same Month Last Year	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-21.7	25.9	-13.8	-14.0	7.5	-9.1	
GF Total Receipts (\$mil)	635.4	419.7	438.0	696.4	416.4	617.6	470.9	459.6	628.9	530.4	531.1	676.1	583.1	
% Chg Same Month Last Year	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	-5.9	-4.1	-7.1	0.7	5.3	-8.2	
GF Sales & Use Receipts (\$mil)	233.3	150.6	165.6	199.7	190.2	191.6	208.2	197.3	200.4	213.3	199.0	207.9	249.5	
% Chg Same Month Last Year	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	-14.7	-0.4	-1.9	5.3	8.0	6.9	
GF Income Tax Receipts (\$mil)	290.9	204.7	117.0	354.4	158.2	267.9	206.6	224.2	273.0	228.1	224.0	247.6	207.2	
% Chg Same Month Last Year	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	10.0	-2.2	-4.0	3.2	8.6	-28.8	

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2003												2004
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
US Leading Index (1982=100)	111.0	110.6	110.4	110.5	111.6	112.0	112.8	113.2	113.3	113.9	114.2	114.6	115.1
% Chg Previous Month SAAR	-1.1	-4.2	-2.1	1.1	12.6	4.4	8.9	4.3	1.1	6.5	3.2	4.3	5.4
% Chg Same Month Last Year	0.2	-0.4	-0.6	-0.3	0.2	0.8	1.6	2.2	2.7	3.3	2.9	3.2	3.7
US Coincident Index (1992=100)	114.4	114.2	114.2	114.1	114.3	114.4	114.7	114.7	114.9	115.2	115.6	115.7	115.8
% Chg Previous Month SAAR	2.1	-2.1	0.0	-1.0	2.1	1.1	3.2	0.0	2.1	3.2	4.2	1.0	1.0
% Chg Same Month Last Year	0.3	0.1	0.2	-0.1	0.0	-0.1	0.3	0.3	0.5	0.8	1.0	1.3	1.2
US Nonag Employment (Mil)	130.2	130.0	129.9	129.9	129.9	129.9	129.8	129.8	129.9	129.9	130.0	130.0	130.1
% Chg Previous Month SAAR	0.9	-1.5	-1.0	-0.2	-0.3	-0.1	-0.4	-0.2	0.6	0.8	0.8	0.1	0.9
% Chg Same Month Last Year	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	0.0	0.0
US Unemployment Rate (%)	5.8	5.9	5.8	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.9	5.7	5.6
US Initial Claims for UI (000s)	386.7	408.6	423.3	447.2	431.6	425.9	398.5	402.8	404.8	381.2	362.4	355.5	345.3
% Chg Previous Month SAAR	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7	6.1	-51.4	-45.5	-20.6	-29.5
% Chg Same Month Last Year	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3	-2.9	-7.2	-6.8	-13.4	-10.7
US Industrial Production Index	111.2	111.6	110.8	110.1	110.0	110.0	110.8	110.9	111.5	111.8	112.9	112.9	113.8
% Chg Previous Month SAAR	6.2	4.6	-8.4	-7.1	-0.8	-0.4	9.6	0.3	7.1	3.1	12.3	0.5	9.4
% Chg Same Month Last Year	1.3	1.5	0.4	-0.6	-0.8	-1.5	-0.6	-0.6	0.1	0.7	1.5	2.1	2.3
US Personal Inc. Less Trans. (bil 92\$)	7,347.4	7,347.2	7,356.4	7,377.0	7,410.8	7,412.1	7,429.0	7,432.1	7,439.0	7,467.7	7,515.4	7,515.2	7,508.3
% Chg Previous Month SAAR	0.8	0.0	1.5	3.4	5.6	0.2	2.8	0.5	1.1	4.7	7.9	0.0	-1.1
% Chg Same Month Last Year	-0.1	-0.2	-0.1	0.2	0.4	0.2	0.7	0.9	1.1	1.4	2.1	2.4	2.2
CPI, All Urban (1982-84=100)	182.2	183.2	184.0	183.4	183.3	183.5	183.8	184.5	185.1	184.9	184.6	184.9	185.8
% Chg Previous Month SAAR	4.0	6.8	5.4	-3.8	-0.7	1.3	2.0	4.7	4.0	-1.3	-1.9	2.0	6.0
% Chg Same Month Last Year	2.6	3.0	3.1	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.8	2.0
US Retail Sales (bil 84\$)	306.5	303.4	309.6	308.7	310.2	313.1	317.5	320.7	319.6	319.7	323.1	324.5	325.2
% Chg Previous Month SAAR	7.9	-11.6	27.6	-3.4	6.1	11.9	18.1	12.7	-4.0	0.3	13.4	5.5	2.5
% Chg Same Month Last Year	4.8	3.2	5.4	3.6	5.6	5.1	5.5	6.0	7.2	6.6	7.2	6.6	6.1
Manufacturing & Trade Sales (000s)	861.4	845.0	855.9	853.1	860.4	870.1	883.0	878.0	885.8	889.5	894.8	898.3	*897.2
% Chg Previous Month SAAR	8.3	-20.5	16.5	-3.8	10.8	14.4	19.2	-6.6	11.3	5.1	7.5	4.8	-1.5
% Chg Same Month Last Year	1.9	0.1	2.2	0.6	1.4	2.4	3.0	2.4	4.2	4.5	4.5	5.0	4.2
US Consumer Sentiment (1966=100)	72.8	69.9	69.6	79.3	91.4	86.4	83.7	82.5	80.8	83.0	88.1	89.8	100.1
% Chg Previous Month AR	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9	-22.1	38.0	104.5	25.8	288.0
% Chg Same Month Last Year	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4	1.1	13.5	12.2	11.1	37.5
Ave. Prime Interest Rate (% NSA)	4.25	4.25	4.25	4.25	4.25	4.22	4.00	4.00	4.00	4.00	4.00	4.00	4.00